

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA

YEARS ENDED DECEMBER 31, 2006 AND 2005

Description of the Office of the State Auditor

The mission of the State Auditor's Office is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

Tax Increment Financing - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA**

Years Ended December 31, 2006 and 2005



**Audit Practice Division
Office of the State Auditor
State of Minnesota**

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ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA

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**ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA**

**ORGANIZATION SCHEDULE
2006**

<u>Board Members</u>	<u>Term Expires</u>
Adam Ali	May 2008
Kent Bakken	May 2006
Elizabeth Beissel	May 2008
Gerry Berglin	May 2007
Tracy Berglund	May 2006
Tom Borrup	May 2007
Kim Forbes	May 2008
Dean Jacobson	May 2008
Garrett Johnson	May 2007
Julie Kearns	May 2007
Kristina Kliber	May 2008
Jeffrey Matos	March 2006
Jeff Millikan	May 2007
Daniel Quirk	May 2008
Millie Schafer	May 2008
Jim Souris	May 2007
Doug Spiotta	May 2008
Patti Wettlin	May 2008
Abdul Yusuf	May 2008
<u>Executive Director</u>	
Susan Braun	Indefinite

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Elliot Park Neighborhood, Inc.

We have audited the statement of financial position of the Elliot Park Neighborhood, Inc., (EPNI) (a nonprofit corporation) as of December 31, 2006 and 2005, and the related statements of activity, functional expenses, and cash flows for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the EPNI's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the EPNI as of December 31, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of NRP Activity listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the EPNI. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

November 8, 2007

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FINANCIAL STATEMENTS

**ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA**

EXHIBIT 1

**COMPARATIVE STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2006 AND 2005**

	2006	2005
<u>Assets</u>		
Current assets		
Cash and investments	\$ 93,693	\$ 59,916
Prepaid insurance	765	580
Grants receivable	44,897	73,768
Total Assets	\$ 139,355	\$ 134,264
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable	\$ 331	\$ 3,729
Accrued payroll	8,473	2,670
Deferred revenue	18,500	13,500
Total Liabilities	\$ 27,304	\$ 19,899
Net Assets		
Unrestricted	\$ 65,626	\$ 68,635
Temporarily restricted	46,425	45,730
Total Net Assets	\$ 112,051	\$ 114,365
Total Liabilities and Net Assets	\$ 139,355	\$ 134,264

**ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2006
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2005**

	Unrestricted	Temporarily Restricted	Totals	
			2006	2005
Public Support and Other Revenue				
Public support				
Government grants				
Minneapolis Community Planning and Economic Development (CPED)	\$ 16,800	\$ -	\$ 16,800	\$ 13,500
Neighborhood Revitalization Program (NRP)	188,758	-	188,758	177,590
Contributions	395	1,205	1,600	18,997
Satisfaction of time and purpose restrictions	510	(510)	-	-
Total public support	\$ 206,463	\$ 695	\$ 207,158	\$ 210,087
Other revenue				
Miscellaneous income	8,649	-	8,649	13,231
Total Public Support and Other Revenue	\$ 215,112	\$ 695	\$ 215,807	\$ 223,318
Expenses				
Program services				
CPED	\$ 16,762	\$ -	\$ 16,762	\$ 13,330
NRP	187,975	-	187,975	176,148
After School Program	5,079	-	5,079	-
Whitney Foundation	-	-	-	11,282
East Downtown Council (EDC) Support	-	-	-	770
Summer Concert Series	300	-	300	1,640
Archeology Project	988	-	988	-
Annual Giving Campaign	-	-	-	2,186
Annual Meeting	217	-	217	511
Total program services	\$ 211,321	\$ -	\$ 211,321	\$ 205,867
Support services				
Management and general	6,800	-	6,800	15,359
Total Expenses	\$ 218,121	\$ -	\$ 218,121	\$ 221,226
Increase (Decrease) in Net Assets	\$ (3,009)	\$ 695	\$ (2,314)	\$ 2,092
Net Assets - January 1	68,635	45,730	114,365	112,273
Net Assets - December 31	\$ 65,626	\$ 46,425	\$ 112,051	\$ 114,365

**ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2005**

<u>Expenses</u>	<u>CPED</u>	<u>NRP</u>	<u>After School Program</u>
Salaries	\$ 9,974	\$ 119,113	\$ -
Payroll taxes	763	9,099	-
Benefits	224	1,614	-
Insurance	1,374	20,879	-
Professional services	796	18,569	-
Occupancy	3,159	11,103	-
Office supplies	-	1,316	-
Office equipment	130	1,543	-
Telephone	342	1,535	-
Postage and delivery	-	1,313	-
Printing	-	189	-
Travel	-	139	-
Board and staff training	-	650	-
Program expense	-	-	3,379
Advertising fees	-	270	-
Special events	-	-	1,700
Bank fees	-	459	-
Subscriptions and dues	-	184	-
Depreciation	-	-	-
Total Expenses	<u>\$ 16,762</u>	<u>\$ 187,975</u>	<u>\$ 5,079</u>

EXHIBIT 3

	Summer Concert Series	Archeology Project	Annual Meeting	Management and General	Totals	
					2006	2005
\$	-	\$ 323	\$ -	\$ -	\$ 129,410	\$ 119,237
	-	25	-	-	9,887	8,884
	-	2	-	-	1,840	26,482
	-	-	-	-	22,253	1,590
	-	-	-	2,019	21,384	29,735
	-	-	-	-	14,262	14,037
	-	25	-	1,427	2,768	1,770
	-	-	-	1,500	3,173	6,186
	-	-	-	730	2,607	2,222
	-	101	-	-	1,414	1,743
	-	-	-	-	189	2,453
	-	-	-	82	221	700
	-	-	-	339	989	657
	-	-	117	-	3,496	28
	-	512	-	150	932	1,347
	300	-	100	300	2,400	2,808
	-	-	-	-	459	454
	-	-	-	253	437	723
	-	-	-	-	-	170
\$	300	\$ 988	\$ 217	\$ 6,800	\$ 218,121	\$ 221,226

**ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA**

EXHIBIT 4

**COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	2006	2005
Cash Flows from Operating Activities		
Increase (Decrease) in net assets	\$ (2,314)	\$ 2,092
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	\$ -	\$ 170
(Increase) decrease in prepaids	(185)	(141)
(Increase) decrease in grants receivable	28,871	(4,495)
Increase (decrease) in accounts payable	(3,398)	2,945
Increase (decrease) in accrued payroll	5,803	708
Increase (decrease) in deferred revenue	5,000	(6,055)
Total adjustments	\$ 36,091	\$ (6,868)
Net cash provided by (used in) operating activities	\$ 33,777	\$ (4,776)
Cash - January 1	59,916	64,692
Cash - December 31	\$ 93,693	\$ 59,916

Noncash investing and financing activities

During 2006, Elliot Park Neighborhood, Inc., carried a Wells Fargo line of credit valued at \$5,000.
During 2005, Elliot Park Neighborhood, Inc., carried a Wells Fargo line of credit valued at \$5,000.

ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

1. Summary of Significant Accounting Policies

A. Organization

The Elliot Park Neighborhood, Inc., (EPNI) is bounded by Fifth Street on the north, Fifth Avenue on the west, Interstate 94 on the south, and Interstate 35W on the east.

EPNI's mission is to bring people and resources together to preserve and promote the unique urban character of the historic Elliot Park Neighborhood.

B. Board of Directors and Officers

The EPNI's Board of Directors consists of at least seven but no more than 20 members. Directors are elected after the annual meeting in May and serve two-year terms. The four officers (President, Vice President, Secretary, and Treasurer) are elected by the Board members at the annual meeting and serve as members of the Executive Committee.

C. Basis of Presentation

The provisions of Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*, and SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*, have been applied to the amounts presented in these financial statements. Under these provisions, net assets and revenues, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets for the EPNI and changes therein are classified and reported as follows:

Unrestricted - Those resources over which the EPNI has discretionary control.

Temporarily Restricted - Those resources subject to donor-imposed restrictions that will be satisfied by actions of the EPNI or passage of time.

**ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Basis of Presentation (Continued)

Permanently Restricted - Those resources subject to a donor-imposed restriction that they be maintained permanently by the EPNI. The donors of these resources permitted the EPNI to use all or part of the income earned, including capital appreciation or related investments, for unrestricted or temporarily restricted purposes.

D. Basis of Accounting

The EPNI is reported on the accrual method of accounting where revenues are recognized when they are earned and expenses are recognized when they are incurred.

E. Expense Allocation

Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated based on the best estimates of management in relation to grant budgets. Fundraising expenses are considered to be minimal, and those costs are included in management and general expenses.

F. Income Taxes

The EPNI is a not-for-profit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state statutes.

G. Cash and Investments

Cash and investments consist of:

	<u>2006</u>	<u>2005</u>
Checking accounts	<u>\$ 93,693</u>	<u>\$ 59,916</u>

ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA

1. Summary of Significant Accounting Policies (Continued)

H. Equipment

All purchased equipment is valued at cost. Donated equipment is valued at fair value at the date of contribution. Depreciation is computed using the straight-line method over estimated useful lives of three to five years, depending on the type of asset.

I. Grants and Contracts

The EPNI's funding includes cost-reimbursement grants from the Minneapolis Community Planning and Economic Development Department (CPED) and the Minneapolis Neighborhood Revitalization Program (NRP). Government grants and contracts recognize revenue as earned when eligible expenses, as defined in each grant or contract, are made. Funds advanced on the above grants but not yet earned are shown as deferred revenue. Expenses under government grants are subject to review by the granting authority. To the extent, if any, that such a review reduces expenses allowed under these grants, the EPNI will record such disallowance at the time the final assessment is made.

J. Donated Services

The EPNI had no donated services during the year ended December 31, 2006.

K. Accrued Vacation

Employees of the EPNI earn between 10 and 16 days of vacation each year, depending on length of service. Since the EPNI cannot charge its primary granting authorities for accrued vacation until it is used, no provision has been made in the accompanying financial statements for recording the accrued vacation liability and related expense at year-end. At December 31, 2006 and 2005, the amount of accrued vacation was \$5,119 and \$5,345, respectively.

**ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA**

2. Property and Equipment

Property and equipment at December 31, 2006 and 2005, is as follows:

	2006	2005
Equipment	\$ 19,904	\$ 19,904
Less: accumulated depreciation	(19,904)	(19,904)
Total Property and Equipment	\$ -	\$ -

3. Deferred Revenue

Deferred revenue at December 31, 2006 and 2005, is as follows:

	2006	2005
NRP Contract #17746	\$ -	\$ 5,000
NRP Contract #20795	8,500	8,500
NRP Contract #23124	10,000	-
Total	\$ 18,500	\$ 13,500

4. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2006 and 2005, were:

	2006	2005
All People's Gathering	\$ 1,108	\$ 1,108
Annual Meeting	590	207
Whitney Foundation	43,855	43,855
Archeology Project	12	-
Summer Concert Series	860	560
Total Temporarily Restricted Net Assets	\$ 46,425	\$ 45,730

**ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA**

5. Operating Leases

The EPNI is committed under various leases for office space and for equipment used in its operations. The EPNI has a month-to-month lease for office space. Lease payments for office space were \$10,740 in 2006 and \$10,740 in 2005. Equipment lease periods vary from one to three years. Payments under equipment lease obligations in 2006 and 2005 were \$3,243 and \$3,486, respectively.

Future minimum lease payments for operating leases are:

2007	\$ 3,000
2008	<u>3,000</u>
Total	<u>\$ 6,000</u>

6. Home Improvement Program

The EPNI has initiated the EPNI Home Improvement Program. The Center for Energy and Environment administers the program. Funding for this program is provided by the NRP. Total funds available for the program are \$744,562. At the end of the fiscal year, the program originated grants and loans totaling \$567,206. Funds remaining in the program budget at year-end were \$177,356.

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SCHEDULE OF NRP ACTIVITY

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**ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA**

Schedule 1

**SCHEDULE OF NRP ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Agreement #10108	Agreement #17746	Agreement #20795	Agreement #23124	Total
Revenues	\$ 1,840	\$ 23,834	\$ 109,641	\$ 53,443	\$ 188,758
Expenses					
Salaries	\$ 1,031	\$ 19,759	\$ 64,830	\$ 33,493	\$ 119,113
Payroll taxes	139	1,591	4,916	2,453	9,099
Benefits	13	220	840	541	1,614
Insurance	761	1,187	11,447	7,484	20,879
Professional services	-	-	11,920	6,649	18,569
Occupancy	-	-	9,375	1,728	11,103
Office supplies	-	-	509	807	1,316
Office equipment	-	-	1,543	-	1,543
Telephone	-	-	1,318	217	1,535
Postage and delivery	-	-	1,313	-	1,313
Printing	-	-	189	-	189
Travel	-	-	139	-	139
Board and staff training	-	-	440	210	650
Advertising fees	-	-	270	-	270
Bank fees	-	-	459	-	459
Subscriptions and dues	-	-	184	-	184
Total Expenses	\$ 1,944	\$ 22,757	\$ 109,692	\$ 53,582	\$ 187,975
Revenues Over (Under) Expenses	\$ (104)	\$ 1,077	\$ (51)	\$ (139)	\$ 783

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**ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA**

Schedule 2

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2006

I. COMPLIANCE

None.

II. INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-1 Segregation of Duties

Due to the limited number of office personnel within the Elliot Park Neighborhood, Inc. (EPNI), segregation of the accounting functions necessary to ensure adequate internal control is not possible. This is not unusual in operations the size of the EPNI; however, management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view. The EPNI officials have given attention to addressing this issue. We encourage these efforts to continue.

Client's Response:

EPNI has three staff members, and they each have some of the responsibility for the budgets and check requests of their various committees. They are also responsible for the accuracy of recording their hours in the various programs, grants, contracts or administrative sections on their time sheets; program staff submissions are reviewed by the executive director; executive director submissions are reviewed by one of the finance/executive committee officers. The contracted financial consultant/bookkeeper has responsibility for various accounting functions that further assists the segregation. The finance committee also has responsibilities in the processing and review of payables, allocations and monthly financial reports such as reviewing the biweekly payables and signing checks.

The finance committee includes the board officers and additional appointed board members with financial management experience. The consultant/bookkeeper furnishes monthly financial reports which are reviewed by the executive director and the finance committee before being presented to the board of directors. The consultant/bookkeeper

addresses any unusual items and is available for questions. The finance committee meets monthly to review financials and forwards them to the board for review at the monthly board meeting. The consultant/bookkeeper does the monthly bank reconciliations which are then reviewed and signed by the treasurer or another finance/executive committee officer. The finance committee takes an active role in discussion of annual budgets, plan and budget modifications to NRP/CPED contracts, audit preparation and other financial matters.

The financial procedures manual defines the various duties of the staff, board finance committee, executive committee, the board and the bookkeeper for the steps of each financial procedure to assist in internal control of duty segregation to the greatest extent possible.

III. MANAGEMENT PRACTICES

None.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE

Board of Directors
Elliot Park Neighborhood, Inc.

We have audited the financial statements of the Elliot Park Neighborhood, Inc. (EPNI) (a nonprofit corporation) as of and for the year ended December 31, 2006, and have issued our report thereon dated November 8, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the EPNI's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the EPNI's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the EPNI's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the EPNI's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the EPNI's financial statements that is more than inconsequential will not be prevented or detected by the

EPNI's internal control over financial reporting. We consider the deficiency described in the accompanying Schedule of Findings and Recommendations as item 96-2 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the EPNI's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency identified above is not a material weakness.

Compliance

As part of obtaining reasonable assurance about whether the EPNI's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance.

The LCC's written response to the significant deficiency identified in our audit has not been subjected to any auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the EPNI's Board of Directors, its management, and the Neighborhood Revitalization Policy Board and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

November 8, 2007